

Zurich Private Clients Insight



Escape
of water





A high value proposition for high value personal clients

Zurich Private Clients are specialists in emerging, high and ultra high net worth insurance, providing one of the broadest product ranges in the market.

We offer a portfolio of products encompassing Home (including covers for Fine Art and Antiques and Jewellery), Travel, Motor and Watercraft.

Our products are unique, and are backed by the expertise of our specialist claims and underwriting teams. In addition our in house client managers provide risk management surveys and advice for those customers who enjoy the benefit of our Ultimate contract.

In this issue of Insight, we focus on damage caused by escape of water, highlighting both the devastating and traumatic impact even the smallest of losses can have, and the preventative measures that can be taken to mitigate damage.

For further information visit Zurich.co.uk/privateclients

Soaking up the cost of water damage

According to an ABI news release in August 2011, nearly one in five claims made on buildings and contents insurance relates to damage caused by escape of water; costing £2 million every day. In 2010, a total of 371,000 such claims were made with the average claim reported as being just under £2,000. In December 2010 alone, it is reported that 103,000 claims were made for burst pipe damage at an estimated cost of £680 million.

At Zurich Private Clients we have conducted our own research based on losses we have dealt with. Our analysis of escape of water claims submitted for the first 6 months of 2011 supports the ABI figures in terms of frequency but, as you would expect with any high net worth insurer, the average cost per claim is significantly higher.

There are many different causes of escape of water losses and often the cause can be outside the control of even the most conscientious householder. High net worth customers tend to own larger properties that will be fitted with multiple bathrooms and bespoke kitchens. More appliances increase the risk of a water damage incident, and when furniture and flooring is often custom made to the highest specification, a relatively small leak or burst can quickly escalate into a substantial loss. If undetected, water can soon spread down through a property, taking not only the route of least resistance but often travelling a significant distance from the original source, making detection and isolation very difficult.

Taking all this into consideration, it is easy to see why it is not unusual for an escape of water incident to result in damage of over £100,000. Whilst most homeowners have insurance in place to cover the cost of repairs, perhaps the greatest impact is the trauma and disruption to daily life that an escape of water incident can cause. Collapsed ceilings are likely to result in ruined or damaged soft furnishings and flooring underneath, with carpets reaching saturation point very quickly and wall coverings and curtains soon damaged beyond repair.

Escape of water incidents can also lead to other losses; for example, the electricity supply may well be disrupted leaving the home without power or even resulting in a fire. It can also potentially disable any alarm protection at the property thereby further exposing the property to risk of theft.

In summary, the effects cannot be underestimated and when damage is severe, it may be necessary to move out of the property whilst drying and repairs or restoration works are carried out. With a bespoke kitchen or flooring, for example, it could be several months before normal life can be resumed. At its very best there will be disruption and inconvenience to daily life, and in instances such as these the cover for alternative temporary accommodation provided by the Zurich Private Clients policy can be absolutely essential.

Taking care of a precious resource

As responsible homeowners we should all bear in mind that it is not just the potential financial cost and inconvenience that causes so much concern.

The impact of environmental damage cannot be overlooked and the ecological benefits of less water usage cannot be underestimated. Nick Starling, ABI's Director of General Insurance and Health, said in August 2011:

“This is a real concern – water is a precious resource and billions of litres are being wasted needlessly. The smallest of leaks can quickly become a torrent and cause some very expensive and disruptive damage. Don't overlook or under estimate the warning signs. Ensuring that domestic water appliances are properly installed and well maintained, especially as people go on their summer breaks, will greatly reduce the risk of expensive damage to your home”.



Risk Management

Assessing the risk

There is much that homeowners can do to protect their properties and possessions against potential damage. Whilst there can't be any guarantees against an escape of water incident occurring, undertaking a thorough risk assessment will help identify the key risks so that measures for loss prevention and mitigation of damage can be put in place. This assessment should take into account the location of any water installation; such as water pipes and storage tanks and their potential impact throughout the property.

Whilst extra consideration may well be given to prevention in winter months, it should not be forgotten that water leaks can create problems for home owners at any time of year and during any point in the life of a building.



The common causes of escape of water are:

- Burst pipes and water tanks
- Leaking domestic appliances, e.g. washing machines and dishwashers
- Accidental damage to pipes
- Frozen pipes
- Over-flowing baths and showers

A number of factors can also have a direct impact on the risk of an escape of water loss happening, and the first step in prevention is to understand where the risks lie.

Age of property

Typically, buildings that are 20 years of age or older are likely to be at higher risk of incurring water damage losses. Wear and tear will usually have occurred on the interior infrastructure which will include water tanks, pipes and radiators. It is therefore essential that good maintenance programmes are in place which should include annual service contracts for plumbing and heating installations.

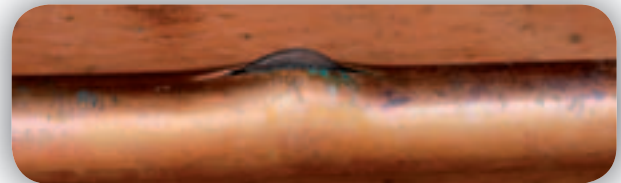
New buildings and extensions are not immune however, and it is important that good quality plumbing materials are used and that all are regularly checked for early indication of a potential problem.

Types of property

Apartments can be at higher risk than other types of accommodation. Whilst every precaution may be taken in an individual apartment, an escape of water in an adjacent apartment could have equally devastating consequences. In addition, the construction materials used (specifically their water resilience) can have a bearing on the extent of damage.

Pipework

Copper water pipes can suffer from corrosion over a period of time, especially pipes that are set in concrete and either incorrectly lagged or not lagged at all. While corrosion is more likely to occur in older pipe work, there are factors which could cause corrosion on newer pipes. For example, pipe work that is too small in diameter for the pressure of the water will corrode quicker particularly at joints where the water flow changes direction. Plastic water pipes also frequently fail at joints and modern push fit or compression fittings appear to be more prone to failure than traditional soldered joints, so it is very important for the pipe work to be fitted securely with sufficient brackets holding the pipe work in place.



Seasonal weather

Every year thousands of households are affected by sub-zero temperatures that can cause pipes to freeze and burst. Whilst insulating water pipes will definitely help, it is also important to consider the location of the pipes and provide continuous heating where appropriate.

For homeowners who are away over the winter months, or who have second or holiday homes, it is good advice to keep the heating on continuously at 10°C to ensure that the temperature will not fall below this level. When away over an extended period, or when deciding on the best protection for a holiday home, it is also well worth considering the option of completely draining the water and heating system which may provide better protection and also reduce heating costs.

Extended periods of unoccupancy can increase the risk of an escape of water and more importantly, early detection of any problem. Whatever cold weather precautions are taken, it is always recommended to arrange for someone to check the house every couple of days as a minimum, to aid the early identification of any potential problems with frozen pipes and also minimise damage should the worst occur.

Reducing the risk

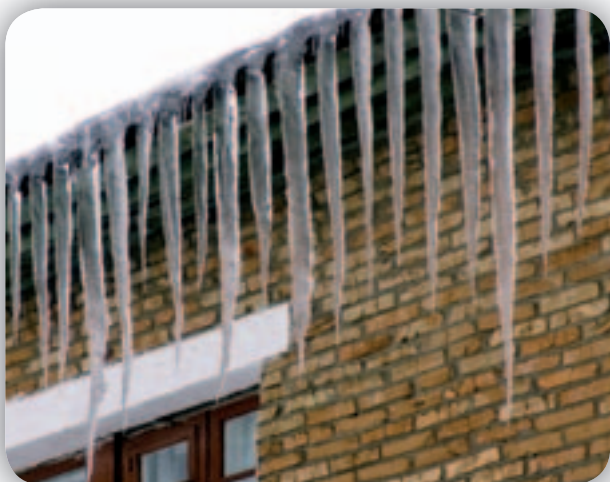
A typical leaking pipe can spill approximately 2,000 gallons of water per day. The longer water continues to flow following a leak, the more saturated furnishings and decorations become and the higher the cost of repairs.

Preventing or reducing the amount of water following a pipe failure will mean less damage to the property and the resultant inconvenience to the homeowner is reduced – not to mention the ecological benefits of less water wastage.

Various risk management measures can be put in place to help reduce the risk and whilst the following list is by no means exhaustive, it provides a good range of advice for homeowners.

Warming up for winter

- Exposed pipes and tanks should be lagged.
- If there is a cold tank in the loft area, this and all associated pipe work should be insulated, with the floor area immediately under the tank left free of insulation as heat from below will help prevent freezing.
- External pipes and all vulnerable areas of the property should always be checked in freezing weather, even if a problem is not immediately apparent.
- Thermal insulation or a frost protection solution for boilers and pipes should be considered.
- The stop valve should be checked to ensure it is in good working order and accessible. Ensure everyone in the home knows where the stop valve is and, more importantly, how to operate it.
- If a combination boiler is installed, pipe diameters must follow manufacturer guidelines.
- The phone number of an emergency plumber should be readily available, as well as the Zurich Private Clients helpline number. Labelling the stop valve itself may save valuable time.



Other common sources of leaks

It is not only the cold weather that causes problems – damage caused by leaking water can also be attributed towards appliances and those areas of the property that are not always well maintained. The most common is water escaping from fixed appliances such as washing machines, dishwashers, boilers, pipe work and shower trays. The increasing number of appliances in today's homes, coupled with the multiple bathrooms and wet rooms all conspire to increase the propensity and likelihood for water damage claims.

Again, there are actions that homeowners can take to mitigate losses.

Plug the leak

- Central heating systems along with radiators should be serviced on an annual basis.
- Tell tale signs of damp from appliances, radiators or pipes should be investigated.
- Sealant/mastics around shower trays and bathroom fittings should be maintained in good condition.
- Washers should be replaced regularly to prevent dripping taps.
- Flexible hoses to washing machines, dishwashers and other appliances should be checked regularly.
- Pipes and drains must be free from blockages, to avoid overflow.
- Anti corrosion additives can be added to the water supply where necessary.
- Bund protection for larger water tanks should be considered.

In some circumstances, leak trays can also help identify potential problems by collecting any dripping water from plant or tanks in a shallow tray that is readily accessible for inspection. These are particularly useful in larger homes that have plant rooms and tanks which are easily accessible.

An awareness of the location of water tanks, boilers and other sources of potential water leaks means that higher value items such as paintings, tapestries and antiques can be positioned strategically throughout the property so as to reduce the risk of damage occurring. Similarly, any electrical items should, where possible, be positioned away from the walls to minimise loss or damage. Finally, water pipes should not be used for anything other than carrying water; hanging garments on pipes for example, can increase the stress on the joints.



Risk Management (continued)



A Planned Programme of Maintenance

A prudent homeowner will naturally include a planned schedule of maintenance on all parts of the water system. This should cover the general condition of the boiler, radiators and pipe work, along with stop valves and taps. Regular checks of areas surrounding pipe work, radiators and storage tanks will detect any signs of a leak, and finding these at any early stage will ensure that they can be repaired before a catastrophic failure occurs.

When moving in to a new property it is always good advice to ask a plumber to carry out a pressure test on the water system, and to carry out further routine checks at regular intervals. Generally speaking, every 5 years for a new property or every 2 years for an older property should be adequate if no specific problems are noted. For leaks that are difficult to track down, a thermal assessment can pinpoint the source of the problem, enabling a more detailed localised investigation to be undertaken and repairs carried out where necessary.

Leak Detection Devices

There are a number of devices currently on the market which provide further protection against water damage. Ranging from passive leak detectors and water flow sensors to more sophisticated active leak management systems, these systems can provide extremely effective and continuous protection, shutting off the water supply when a leak is detected.



Many of these devices are relatively quick to install, can easily be added to existing plumbing systems, and can also be linked to an intruder alarm system. However, it is important to understand the advantages and also the limitations of these systems in specific circumstances so an informed decision about which type of leak detection device to install can be made.

The choice of devices range from passive mechanical devices installed at a single location in the home, to advanced digital systems that will monitor each room, and each point of use of water.

Homeowners can choose from installing a leak detection device at either 'point of use' or 'whole house'

- 'Point of use' identifies a leak, but investigation will be required to determine where the leak is coming from.
- 'Whole house' allows sensors to be placed in several locations within the home, ensuring the source of the leak can be pinpointed quickly.

Passive Leak Detectors

Passive leak detector devices are mechanically designed to alert the household to a leak. They are usually stand-alone battery operated units with moisture sensors that activate an alarm when wet.

Advantages

- Easy to install and use.
- Inexpensive.
- Useful to reduce water damage from leaking appliances.

Disadvantages

- Need to be located where someone can hear the alarm.
- Will not shut off the water supply.
- May not be convenient to site in a fitted kitchen.

Active Water Leak Detection Devices

The sensors on these digital devices monitor water within the property. Customers can choose from a 'water flow' or 'hot spot' system, both of which can be set up to deliver notifications of any leaks (for example by sending an SMS, sounding an alarm or flashing lights). It might also be worth considering syncing the water leak detection device with a nominated security company which can subsequently check the property in case of occupant absence.

A 'water flow' system will monitor water flowing through the pipe supply and time every uninterrupted flow period. If the flow exceeds the time selected, the water leak

detection device will suspect a problem and cut off the water supply. The majority of the systems can be installed out of sight with only the control panel in a visible and convenient position. Systems can be tailored to occupancy requirements, so if a property is going to be unoccupied, settings can be changed at the flick of a switch to reduce the threshold for flow of water, meaning water shut off will be much faster than if the property is occupied.

A 'hot spot' system allows customers to place pads under areas that might be likely to leak. The pads are water sensitive and will instruct the water system to shut off upon detection of a leak, keeping damage to an absolute minimum.

Advantages	Disadvantages
<ul style="list-style-type: none">• Proactive system.• Can be programmed for high protection when property unoccupied.• Options for wireless versions.• Can protect a whole property or individual appliances.• Some systems can be wired to an intruder alarm system for additional protection.• Manual water shut off function.	<ul style="list-style-type: none">• Only provides protection where it can detect flowing water through a pipe.• Will not protect against an overflowing bath or shower tray.• Potentially inconvenient if very sporadic patterns of occupancy at a property.

As can be seen, the nature of the risk and the circumstances of the homeowner need to be considered when recommending a particular type of device.

For example, a water flow sensor, or even the most sophisticated leak detection equipment will not protect against an overflowing bath or leaking shower tray. What it will do however, is mitigate the effects of an escape of water from a burst pipe and as you will see from our first case study overleaf it may only take a few hours for the impact of a burst pipe to reach devastating levels.

There is a wide range of products available that can help reduce the probability and/or severity of escape of water

losses. However, there is currently no specific British Standard that relates to water leak detection devices or to devices that identify potential leaks from the mains power supply and isolate the supply.

The products listed on page 10 are a typical cross section of what is currently available but are not specifically endorsed by Zurich. We would recommend a homeowner contacting their usual plumber for advice in the first instance, but our underwriters or client managers will be happy to provide up to date information and recommend contacts if required.

When the worst happens

As a leading High Net Worth Insurer, Zurich Private Clients have a wealth of knowledge and experience of dealing with serious incidents.

We use this knowledge to provide a service that is tailored to the needs of our clients and their lifestyles, and pride ourselves on working in partnership with our expert partners to deliver a first class service.

None of us would want to return home from a day at work to be faced with a flooded home, but an incident such as this can happen at any time. If such an event occurs whilst the homeowner is away on holiday, the effect is further compounded by the delay in discovering the damage.



Case studies

Case study 1 – Burst water tank in loft

The Incident

- The risk address comprised a four storey terraced house in the centre of London. Period features included ornate architraves, original parquet wooden flooring and doors.
- Whilst the owners were at work, a burst water tank in the loft resulted in free flowing water for several hours.
- The escape of water penetrated three floors of the property.
- Extensive water damage was sustained to electrics, ceilings, flooring, architrave, high quality decorations and contents including antique furniture & paintings.

Initial Action

- Loss adjusters were appointed and attended the property the same evening.
- The home was uninhabitable and immediate arrangements were made to move the family and pets to suitable alternative accommodation within the area to ensure our client's lifestyle was maintained.
- A payment of £5,000 was made directly into our client's bank account to allow emergency purchases to be made.

Progress

- All valuable or vulnerable undamaged items were removed to safe and secure storage for the duration of the works.
- The property was fully dried out using dehumidifiers and air movers in readiness for our client's preferred contractors to start reinstatement work.
- Loss adjusters project managed the team of drying experts, plumbers and electricians and maintained close contact with the family throughout the process.

Settlement

- Specialist high net worth restorers were able to french polish the antique furniture to its pre-loss condition and restoration of the fine art was successful.
- A full schedule of the un-restorable items was discussed with our client and total loss settlement figures agreed.
- All repairs fully completed on schedule at an overall cost of £118,724.

Conclusion

Our dedicated Zurich Private Clients claims team were able to understand and accommodate our client's specific needs, and ensure that the restoration works were completed on schedule so that the family could return to normal life without unnecessary delay and inconvenience.

Working with expert partners

Zurich Private Clients work with expert partners to provide the best possible service for our customers. Des O'Connor Branch Manager of the disaster restoration company Revival says:

"Trace and Access is the process of identifying and locating leaks either external to or within a property which may be causing the water damage. Without this process we could be treating the symptoms whilst ignoring the cause.

Using a number of methods including thermography our trained and skilled technicians can pinpoint a leak to within a matter of centimetres.

Whatever the situation, we work closely with both the insurance company and the insured, to organise a suitable recovery plan, which means that the property is restored to the highest standards, with the minimum fuss"

www.therevivalcompany.co.uk

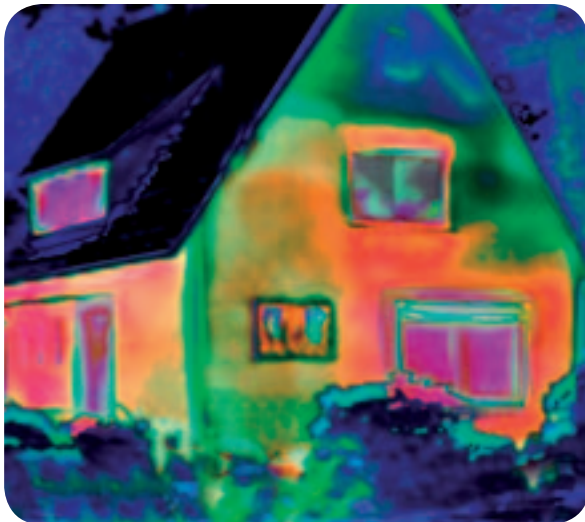
Case study 2 – trace and access

The Incident

- The risk address comprised a Grade 2 listed property, built in the 1700's.
- The property had undergone extensive modernisation including underfloor heating to the limestone tiled flooring.
- Minor salting had appeared on the base of fireplaces within various rooms on the ground floor and increased dampness had been noted.

Initial Action

- Loss Adjusters were appointed to attend the property.
- Consulting engineers were instructed to investigate the cause of the salting and increased dampness.
- The initial conclusion was that there had been an escape of water, but the source was not apparent at this stage.



Progress

- Specialist contractors were instructed to carry out a follow-up diagnostic non-destructive environmental damp survey.
- Drillings through the floor surfaces to the level of the under floor heating pipe work were made.
- Relative humidity readings in the floor of various rooms indicated dampness.
- Investigations determined that the dampness was trapped within the floors and the floors would not dry out naturally.
- To facilitate the drying out process it was necessary for the floors to be removed down to slab level.
- The cause of the trapped moisture was determined to be multipoint failure of the under floor heating pipes.
- Due to the size and scope of the works, the property was uninhabitable and alternative accommodation was required. A holiday cottage was rented for the duration of the works.
- Throughout the process our Loss Adjuster project managed the repairs with our client and his chosen local specialist contractors.

Settlement

- As the existing pipe work could not be re-laid, the replacement of the under floor heating system formed part of the reinstatement of the property.
- The Policyholder took the opportunity to up grade part of the property at their own expense during the reinstatement works, including the installation of an early warning leak detection system.
- All repairs completed on schedule, with the total cost inclusive of all fees amounting to £167,298.

Conclusion

Zurich Private Clients provides its customers with unlimited cover for trace and access. This means that we will pay the cost of finding the source of the escape of water. If parts of the property, regardless of whether they have sustained any damage, need to be removed in order to restore the property to its original condition, then our policy is designed to provide complete peace of mind.

Benefits of a High Net Worth Policy

At Zurich Private Clients we understand that clients don't want to spend time dealing with their insurance, so we pride ourselves on making everything straightforward and as effortless as possible. We do not ask for a claim form to be completed and will give clients the freedom of choice to use their own preferred contractors to handle the repairs to their home if required.

When anyone suffers an incident such as an escape of water, the impact can be devastating and making a claim needs to be as easy as possible. Rest assured that we will take control, and do everything we can to take the worry out of the situation. Our clients can call us at any time of the day or night on a dedicated free phone number **0800 096 9999** that will always be answered by one of our highly trained claims team.



Features of Zurich Private Clients Home and Ultimate Home policies

Trace and Access

Unlimited cover for the costs of finding a leak and any subsequent repairs as a result of the damage caused in tracing the leak.

Temporary Accommodation

Unlimited cover for clients and their pets, if the home cannot be lived in as a result of a covered loss.

Loss of Metered Water

Unlimited cover for loss of metered water from a fixed domestic water or heating installation.

Matching of Items

If we cannot restore partially damaged property to its original condition prior to the damage, we will pay the cost to completely replace.

Large Loss Excess Waiver

The excess shown on the schedule will not apply in the event of a covered loss greater than £25,000.

Water Leak Detection – Useful addresses:

Aqualeak

Single Zone Water Detection System:
AquaTraq
www.wayscale.com

Waterguard

WaterGuard Leak Detection
and Cut-Off System
www.waterguardservices.com

Dantaet Electronics

Domestic System BB
dantaet@dantaet.co.uk

We hope you found this risk insight paper of interest. At Zurich Private Clients we take pride in our knowledge and expertise and how we put this to work for our clients.

For further information or to speak to an underwriter, please contact us on 0845 305 0000 and select:

- **Option 1** for South Team
- **Option 2** for Central Team
- **Option 3** for North Team
- **Option 4** for Claims

Zurich Private Clients

www.zurichprivateclients.co.uk

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The paper is suitable for recycling.

